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NEWS RELEASE

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RULES CHANGE FOR LENDING TO MILITARY MEMBERS, FAMILY
State-regulated lenders notified of the federal change

FRANKFORT, Ky. (Oct. 24, 2007) – The Kentucky Office of Financial Institutions (OFI) is notifying state-regulated lenders of a new federal rule governing consumer credit offers to active duty service members and their dependents.

The U.S. Department of Defense (DoD) final rule stipulates terms for payday loans, vehicle title loans and tax refund anticipation loans that meet specific parameters and are offered to active duty military service members and their dependents. The rule limits interest on these types of credit to a 36 percent “military annual percentage rate” that includes all fees and charges and requires certain disclosures.

Creditors who offer these covered transactions are subject to criminal and civil penalties if they violate the rule. The final rule went into effect on Oct. 1 and applies to transactions on or after that date. OFI will monitor compliance with this ruling during routine examinations. Consumer credit contracts that are not in compliance with the rule will be deemed void from their inception.

The description in the Federal Register indicates that, although the DoD educates service members and their families on financial topics and provides support, enacting financial protection is also important. In a 2005 blind survey, service members rated finances as the third highest cause of stress in their lives, just after work and career concerns.

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The complete DoD final rule can be found in the Aug. 31 Federal Register at <http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/07-4264.pdf>. OFI's letter to state-regulated lenders can be found at www.kfi.ky.gov.

OFI is an agency of the Department of Public Protection in the Environmental and Public Protection Cabinet. It licenses, charters and regulates the activities of state-chartered/licensed depository and nondepository financial institutions. OFI's mission is to serve the public through effective and efficient regulation that promotes consumer confidence and economic growth.

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